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Cash Flow: The Top 200

# DUN'S BUSINESS MONTH

July 1985 $3.00

## Business Battles Reagan Tax Plan

## No-Layoff Companies
## Those Hot Dallas Ad Agencies

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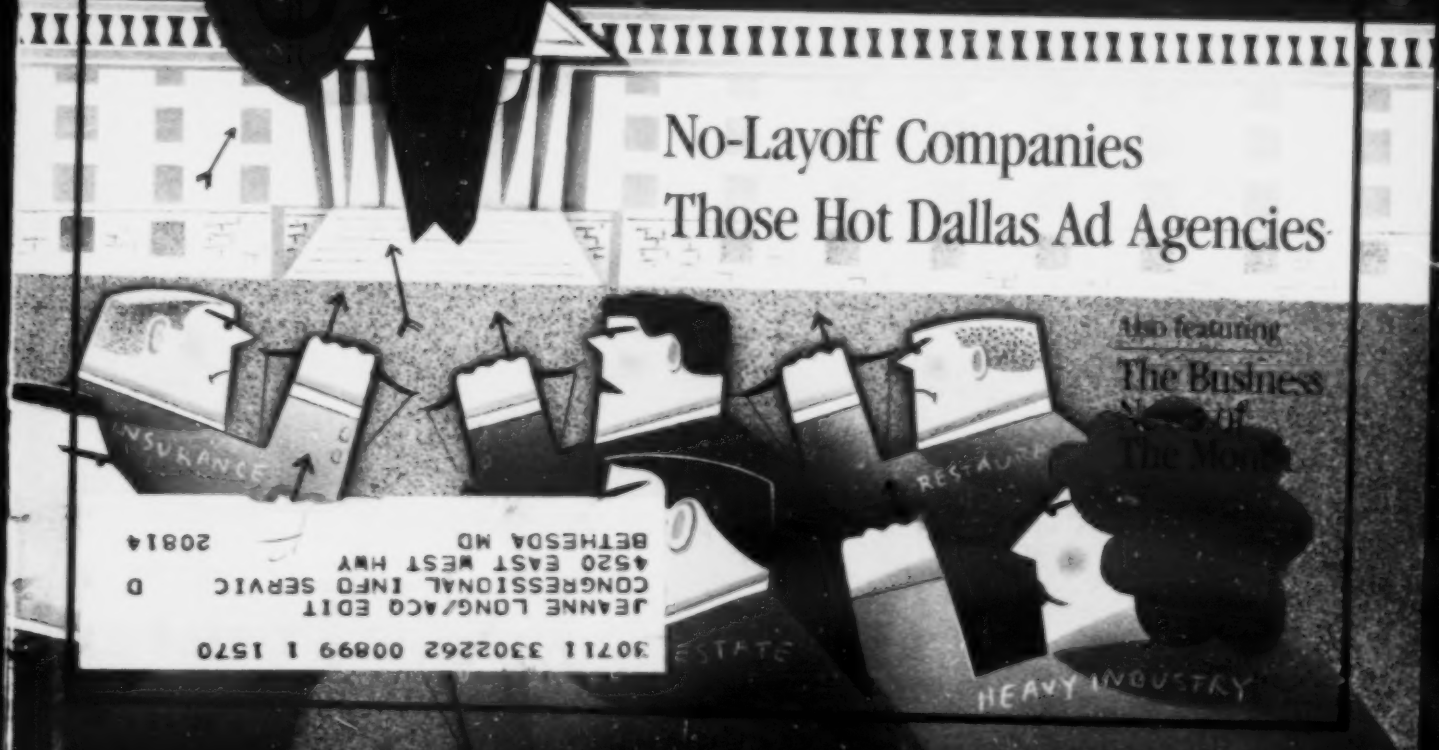


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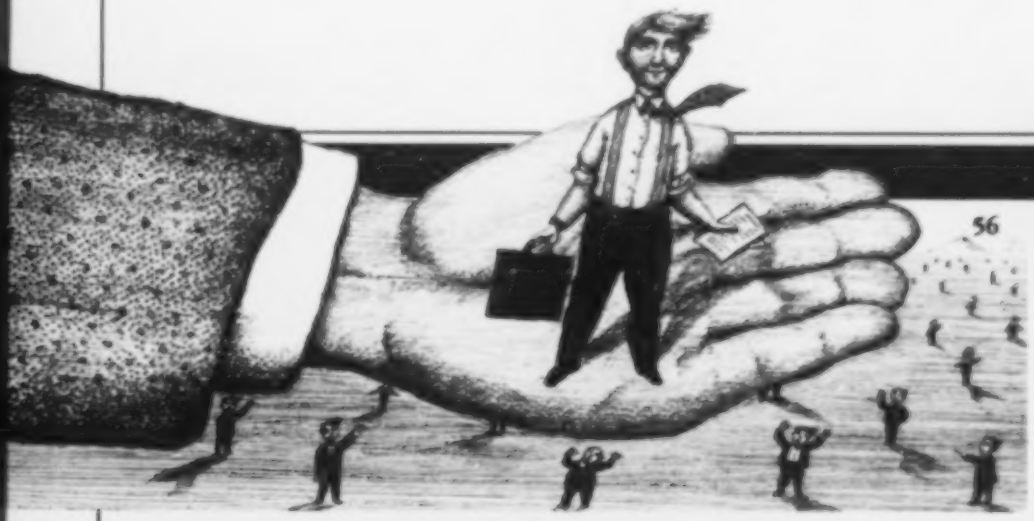

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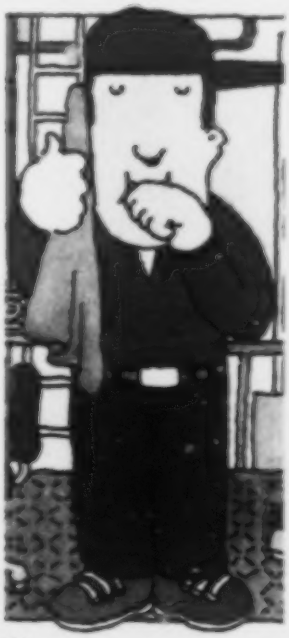

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# Wall Street Zeros In on Cash Flow

*It's the new vogue among value hunters. But critics fear this tool is being misused.*

*by Elizabeth Kaplan*

At a critical juncture in the movie "All the President's Men," when the *Washington Post* reporters have stumbled into a cul-de-sac, their mysterious source tries to nudge the pair back onto the trail of the Watergate conspirators. In one of their clandestine garage meetings, "Deep Throat" advises a frustrated Bob Woodward to "Follow the money."

On Wall Street today, it seems that everyone is following the money. Cash flow is the new gospel, and financial analysts, investors and takeover specialists praise its revelatory power. The cash generated by a company's operations is being hailed as a far more reliable barometer of financial health than the more traditional earnings yardstick, which, critics contend, can be skewed by accounting conventions. "Cash flow is a real measure of a company's ability to finance itself and pay its obligations," says John Crosby, a managing director at Merrill Lynch.

Businessmen have always understood that solvency and strength are more a function of cash flow than of reported earnings. Wall Street began to grasp this distinction largely in the wake of numerous leveraged buyouts—the feasibility of which are a function of cash flow projections as well as of the collateral value of assets. The fixation on cash flow was reinforced by the coincident adoption of the accelerated cost recovery system (ACRS) in the 1981 Economic Recovery Tax Act, which unleashed a torrential flow of corporate cash.

Wall Street's enthusiasm seems to vindicate a small group of gadfly analysts who for years have maintained that cash flow measures provide a more penetrating glimpse into a company's financial condition than reported earnings. But the new cash flow cultists have adapted—some would say subverted—the discipline for radically different ends than its pioneers, who generally used the numbers as a critical gloss on sometimes hyperbolic earnings reports. By contrast, Wall Street's new breed of practitioners ex-

ploit the discrepancy between strong cash flow and lackluster earnings as the lever for acquisition bids. These takeover specialists, critics claim, are all too eager to mortgage the company's future to accomplish their goals.

The pursuit of cash flow numbers is certainly fraught with danger, accounting professionals and some analysts warn. To begin with, there is little consensus about what the term actually means. "It's a Tower of Babel situation," says Halsey Bullen of the Financial Accounting Standards Board, the accounting profession's rulemaking body. "People are using the same words but not the same definitions." FASB's concern over the lack of comparability among cash flow statements prompted it to launch a study of the issue in the hope of developing some standards for reporting cash flow.

In consultation with a variety of experts, DUN'S BUSINESS MONTH developed its own definitions for Cash Flow from Operations and Discretionary Cash Flow—that is, the cash flow remaining after capital expenditures, debt retirement and dividend payments. A Special Report on corporate cash flow (*see page 44*) ranks the 200 leading cash-flow producers among American nonfinancial corporations for 1984 according to these measures.

The pioneers of cash flow analysis have grave misgivings about Wall Street's appropriation of the discipline. "A fundamentally correct concept is being used for the wrong reason," claims Tom Nourse, who has been practicing his own brand of cash flow analysis for fifteen years, first as a private consultant and, since 1981, as the publisher of the *Nourse Investor Report*. Nourse and a handful of other analysts use cash flow analysis as a stringent litmus test for rose-colored earnings. A huge disparity between a company's cash flow and its earnings often portends disaster. In two classic cases, accounting conventions permitted Penn Central and W. T. Grant to report positive earnings while functionally bankrupt.

Today's takeover specialists, Nourse and other critics contend, are indulging in a very simplistic form of analysis that ignores reinvestment needs. "Properly measured over a period of time, comparative cash flow is a better determinant of a company's true value [than earnings]," Nourse notes. But many of the acquisition targets are "simply milking their business."

"Everyone is a 'value' buyer today," says Jim Chanos, an analyst with Deutsche Capital who gained widespread attention for warning investors of Baldwin United's impending failure. "But they are neglecting to subtract future capital expenditures in calculating cash flow. They're eating into [a company's] capital by treating depreciation as a mere accounting convention."

The dangers of treating depreciation as merely an accounting convention—and not a real economic cost that provides for the eventual replacement of plant and equipment—were exacerbated by ACRS, which allowed companies to take ultrarapid depreciation on capital-intensive assets. By reducing corporate tax bills, ACRS also exaggerated the disparity between cash flow and reported earnings. Indeed, in the first quarter of 1985, cash flow soared at an annual rate of $382.6 billion, from $375.3 billion for the fourth quarter of 1984, while after-tax profits declined modestly from the previous quarter, according to Commerce Department figures.

To a great extent, however, the stock market has not grasped the implications of this discrepancy. Except for a few industries like broadcasting, where companies typically do trade at a multiple of their cash flow, the market has remained obsessed with earnings, and stock prices generally have not acknowledged the increased power contained in the cash flow numbers.

Thus, ACRS inadvertently unleashed a potent weapon for corporate raiders who specialize in leveraging the assets of the target company to finance their attacks—in effect, adapting the techniques of leverage buyouts to hostile bids. When T. Boone Pickens Jr. *et al* talk about liberating "undervalued assets" from the inept hands of entrenched management, they are really exploiting this discrepancy between earnings and cash flow. Whether ACRS helped spur capital investment, as intended, is a matter of debate, but "it certainly stimulated a lot of work for investment bankers," says one Wall Street source.

But "what the government gives, the government can take away," warns Chanos. "Any takeover artist who is betting the company because of the [tax advantages] is making a huge mistake." Indeed, the "subsidies" corporate raiders currently enjoy may prove ephemeral if the current tax reform proposals prevail. Although the repeal of ACRS would not tarnish the analytical tools of cash flow, it might encourage their more sober use. This would certainly please many accountants, who insist that cash flow numbers can be just as fallible as earnings statements. "If you just defer a couple of bills, it can distort cash flow," points out FASB's Bullen. And one should not put too much faith in any single financial barometer. "All summary indicators can be hazardous," warns James Stepp, a partner at Price Waterhouse. ■

# Cash Flow: The Top 200

With business slowing down, 1984's economic boom seems a distant memory. The economy expanded at a heady 6.8% pace last year and profits rebounded. Not surprisingly, the Commerce Department reported that corporate cash flow surged 15%. But this advance was not mirrored in the results of DUN'S BUSINESS MONTH's roster of 200 nonfinancial companies ranked by the dollar value of cash flow generated from operations in 1984. The total cash flow of the 200 leaders fell to $171.5 billion in 1984 from $200.7 billion for 1983. The gap of almost $30 billion would not have been nearly so wide if it were not for the exclusion of American Telephone & Telegraph from this year's rankings (neither AT&T nor any of the regional operating companies spun off from it reported all the information needed to calculate their cash flow).

Among nonfinancial companies, Exxon ranked first among the 200 kings of cash flow, with $11.2 billion. This amount is considerably less than the $19.1 billion that AT&T produced in 1983. Exxon, consequently, moved up a notch, as did IBM, General Motors and Ford Motor from their respective positions on last year's list.

Ford Motor Co. was the leader in discretionary cash flow—that is, the amount remaining after dividend payouts, capital spending and debt retirement, with $2.7 billion. The overall decline in corporate cash flow is reflected also in the results of discretionary cash flow. More companies had negative discretionary cash flow—82 in 1984 versus 64 in 1983.

In using cash flow as an indicator of a company's financial well-being, however, it is important to look at its direction for more than a single year, and in conjunction with other key yardsticks. In this listing, DUN'S BUSINESS MONTH includes the following: cash flow generated from operations for 1984, per cent change in cash flow from 1983, net income for 1984 and the per cent change since 1982, discretionary cash flow (cash flow minus capital expenditures, dividends and debt retirement) in 1984 and 1983, return on equity, the debt equity ratio, revenues and cash flow as a per cent of revenues. The data is drawn from 6,400 companies in the Standard & Poor's Compustat data base. Definitions of terms and footnotes are at the end of the tables on page 50.

| COMPANY | CASH FLOW | | NET INCOME | | DISCRETIONARY CASH FLOW | | RETURN ON EQUITY | DEBT TO EQUITY | REVENUES | CASH FLOW TO REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|
| | $Millions | %change vs. '83 | $Millions | %change vs. '83 | $Millions '84 | $Millions '83 | % | % | $Millions | % |
| 1. Exxon | 11,195 | −9.36 | 5,528 | 11.05 | 334 | 2,087 | 19.16 | 0.22 | 90,854 | 12.32 |
| 2. Int'l. Business Machines | 8,322 | −25.22 | 6,582 | 20.00 | −709 | 3,217 | 24.85 | 0.15 | 45,937 | 18.12 |
| 3. General Motors | 8,300 | 0.23 | 4,517 | 21.08 | 306 | 2,916 | 18.80 | 0.24 | 83,890 | 9.89 |
| 4. Ford Motor | 6,708 | 34.12 | 2,907 | 55.70 | 2,714 | 2,682 | 29.55 | 0.35 | 52,366 | 12.81 |
| 5. Atlantic Richfield | 4,873 | 18.67 | 1,129 | −27.06 | 483 | −199 | 11.38 | 0.52 | 23,768 | 20.50 |
| 6. Mobil | 4,832 | 24.18 | 1,268 | −15.64 | 651 | −193 | 9.31 | 0.96 | 56,047 | 8.62 |
| 7. Amoco | 4,782 | 9.27 | 2,183 | 16.86 | 300 | 455 | 17.43 | 0.30 | 26,949 | 17.74 |
| 8. Shell Oil | 3,987 | 8.55 | 1,772 | 8.51 | −163 | 736 | 14.16 | 0.33 | 20,701 | 19.26 |
| 9. Texaco | 3,795 | 19.91 | 306 | −75.18 | −133 | −794 | 1.89 | 0.88 | 47,334 | 8.02 |
| 10. Du Pont (E.I.) | 3,773 | −10.87 | 1,431 | 26.97 | −67 | 910 | 11.85 | 0.37 | 35,915 | 10.51 |
| 11. Chevron | 3,716 | −15.66 | 1,534 | −3.52 | −106 | 138 | 10.39 | 0.92 | 26,798 | 13.87 |
| 12. GTE | 3,713 | 17.95 | 1,080 | 10.41 | −579 | −376 | 14.19 | 1.13 | 14,547 | 25.52 |
| 13. Standard Oil | 3,512 | 32.58 | 1,488 | −1.59 | 416 | −587 | 17.74 | 0.48 | 11,682 | 30.04 |
| 14. Chrysler | 2,384 | 35.65 | 1,496 | 395.56 | 981 | 568 | 44.01 | 0.24 | 19,573 | 12.18 |
| 15. Phillips Petroleum | 2,153 | −7.68 | 810 | 12.34 | 373 | 813 | 12.23 | 0.73 | 15,537 | 13.86 |
| 16. Unocal | 2,027 | 20.49 | 700 | 11.90 | −195 | −173 | 12.30 | 0.26 | 10,838 | 18.70 |
| 17. General Electric | 2,006 | −33.33 | 2,280 | 12.65 | −1,517 | 312 | 18.13 | 0.14 | 27,947 | 7.18 |
| 18. Burlington Northern | 1,777 | 103.99 | 579 | 40.10 | 563 | 23 | 12.73 | 0.57 | 9,156 | 19.41 |
| 19. Sun Co. | 1,728 | −17.60 | 538 | 18.76 | −909 | 479 | 10.17 | 0.55 | 14,466 | 11.95 |
| 20. Reynolds (R.J.) | 1,685 | 5.31 | 843 | 0.96 | 414 | 208 | 17.57 | 0.32 | 9,915 | 16.99 |

| COMPANY | CASH FLOW | | NET INCOME | | DISCRETIONARY CASH FLOW | | RETURN ON EQUITY | DEBT TO EQUITY | REVENUES | CASH FLOW TO REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|
| | $Millions | %change vs. '83 | $Millions | %change vs. '83 | $Millions '84 | $Millions '83 | % | % | $Millions | % |
| 21. Dow Chemical | 1,641 | 46.78 | 549 | 87.37 | 443 | 73 | 10.85 | 0.64 | 11,418 | 14.37 |
| 22. Eastman Kodak | 1,565 | −14.01 | 923 | 63.36 | CF | CF | 12.93 | 0.10 | 10,600 | 14.76 |
| 23. Santa Fe Pacific | 1,533 | 75.85 | 491 | 47.21 | 67 | −397 | 8.51 | 0.32 | 6,662 | 23.02 |
| 24. Occidental Petroleum | 1,471 | −54.38 | 569 | 18.42 | −15 | 849 | 11.93 | 0.96 | 15,586 | 9.43 |
| 25. Philip Morris | 1,470 | −21.99 | 989 | −1.66 | 489 | 952 | 21.71 | 0.63 | 10,138 | 14.50 |
| 26. Xerox | 1,399 | −7.65 | 376 | −19.47 | −389 | −79 | 7.98 | 0.50 | 8,792 | 15.91 |
| 27. U S Steel | 1,380 | 137.52 | 414 | NM | 131 | −1,711 | 6.07 | 1.14 | 18,274 | 7.55 |
| 28. Boeing | 1,329 | −16.31 | 787 | 121.69 | 839 | 1,209 | 21.30 | 0.08 | 10,354 | 12.84 |
| 29. CSX | 1,301 | 162.25 | 465 | 71.21 | −140 | −355 | 9.47 | 0.52 | 7,934 | 16.39 |
| 30. Procter & Gamble[1] | 1,153 | −15.96 | 890 | 2.77 | −212 | 336 | 17.52 | 0.19 | 12,946 | 8.91 |
| 31. Union Pacific | 1,108 | −10.69 | 494 | 12.02 | −165 | 55 | 11.68 | 0.47 | 7,789 | 14.23 |
| 32. Coca-Cola | 1,033 | 3.46 | 629 | 12.64 | 84 | 92 | 22.64 | 0.49 | 7,364 | 14.03 |
| 33. Rockwell Intl.[2] | 938 | 20.17 | 497 | 27.60 | 219 | 163 | 19.66 | 0.11 | 9,322 | 10.06 |
| 34. Litton Industries[3] | 930 | 32.01 | 277 | 19.81 | 600 | 425 | 13.60 | 0.13 | 4,601 | 20.21 |
| 35. Diamond Shamrock | 928 | CF | 242 | NM | 93 | CF | 8.27 | 0.47 | 4,483 | 20.69 |
| 36. Monsanto | 926 | −10.70 | 439 | 18.97 | 106 | 281 | 12.08 | 0.30 | 6,691 | 13.84 |
| 37. Allied | 908 | 57.64 | 487 | 8.22 | −352 | −335 | 14.71 | 0.56 | 10,734 | 8.46 |
| 38. Minnesota Mining & Mfg. | 891 | −15.14 | 733 | 9.90 | −226 | 94 | 19.22 | 0.19 | 7,705 | 11.56 |
| 39. Union Carbide | 887 | −10.58 | 341 | 331.65 | −114 | −68 | 6.93 | 0.54 | 9,508 | 9.33 |
| 40. Johnson & Johnson | 879 | 34.14 | 515 | 5.21 | 280 | 31 | 17.55 | 0.15 | 6,125 | 14.35 |
| 41. Norfolk Southern | 876 | −6.65 | 482 | 35.28 | 87 | 328 | 10.78 | 0.22 | 3,525 | 24.86 |
| 42. Goodyear Tire & Rubber | 867 | 17.15 | 411 | 52.00 | 37 | 115 | 12.96 | 0.27 | 10,241 | 8.46 |
| 43. American Home Products | 858 | 22.10 | 656 | 4.56 | 310 | 123 | 31.40 | 0.02 | 4,485 | 19.13 |
| 44. General Dynamics | 852 | 37.95 | 382 | 33.18 | 547 | 346 | 35.94 | 0.02 | 7,839 | 10.86 |
| 45. Caterpillar Tractor | 848 | 74.13 | −428 | NM | 515 | 20 | −15.01 | 0.65 | 6,576 | 12.90 |
| 46. PepsiCo | 827 | 21.46 | 207 | −27.26 | −21 | −13 | 11.26 | 0.52 | 7,699 | 10.74 |
| 47. Lilly (Eli) | 795 | 13.12 | 490 | 7.17 | 353 | CF | 22.07 | 0.21 | 3,109 | 25.57 |
| 48. United Telecom. | 785 | 12.07 | 216 | −7.19 | −92 | −38 | 12.36 | 1.17 | 2,858 | 27.47 |
| 49. Merck | 779 | −3.72 | 493 | 9.34 | 279 | 318 | 19.38 | 0.23 | 3,560 | 21.88 |
| 50. Halliburton | 755 | −37.31 | 330 | 4.69 | 277 | 759 | 9.74 | 0.20 | 5,428 | 13.90 |
| 51. United Parcel Service | 753 | −5.38 | 477 | −2.71 | −455 | 396 | 29.05 | 0.11 | 6,833 | 11.01 |
| 52. McDonald's | 751 | 20.77 | 389 | 13.56 | −28 | −15 | 19.87 | 0.68 | 3,366 | 22.30 |
| 53. UAL | 737 | −8.54 | 261 | 83.66 | 161 | −157 | 14.40 | 0.72 | 6,968 | 10.58 |
| 54. Anheuser-Busch | 731 | −6.18 | 392 | 12.50 | 80 | 238 | 20.07 | 0.38 | 6,501 | 11.24 |
| 55. AMR | 729 | 5.00 | 234 | 2.64 | 20 | 54 | 14.01 | 0.93 | 5,354 | 13.62 |
| 56. Dart & Kraft | 729 | −24.94 | 456 | 4.76 | 231 | 525 | 17.54 | 0.32 | 9,759 | 7.47 |
| 57. Westinghouse Electric | 703 | 38.92 | 536 | 19.35 | −151 | −395 | 14.41 | 0.45 | 10,265 | 6.85 |
| 58. SmithKline Beckman | 701 | −1.91 | 500 | 2.94 | CF | CF | 24.18 | 0.11 | 2,949 | 23.78 |
| 59. Int'l. Paper | 701 | 86.88 | 120 | −52.88 | −108 | −543 | 2.84 | 0.30 | 4,716 | 14.86 |
| 60. Delta Air Lines[1] | 692 | 204.99 | 176 | NM | 177 | −689 | 16.74 | 0.80 | 4,264 | 16.23 |
| 61. Hewlett-Packard[4] | 690 | 20.63 | 665 | 53.94 | −36 | 54 | 18.76 | 0.08 | 6,044 | 11.42 |
| 62. Southland | 686 | NM | 160 | 21.62 | 162 | −662 | 13.40 | 0.84 | 11,661 | 5.88 |
| 63. United Technologies | 682 | −35.38 | 645 | 26.68 | −368 | 167 | 16.24 | 0.40 | 16,332 | 4.18 |
| 64. Aluminum Co. of America | 680 | −8.62 | 256 | 55.62 | −67 | 196 | 7.73 | 0.49 | 5,751 | 11.82 |
| 65. Pennzoil | 675 | 12.27 | 214 | 30.03 | 171 | 119 | 20.37 | 0.88 | 2,349 | 28.72 |
| 66. Pfizer | 672 | 2.77 | 508 | 13.60 | 289 | 172 | 20.73 | 0.26 | 3,855 | 17.42 |
| 67. Georgia-Pacific | 649 | 43.27 | 253 | 140.95 | −178 | 56 | 11.47 | 0.69 | 6,682 | 9.71 |
| 68. Honeywell | 647 | −1.90 | 335 | 44.81 | 113 | 144 | 14.06 | 0.32 | 6,074 | 10.65 |
| 69. General Foods[5] | 638 | −12.17 | 317 | 9.91 | 131 | 280 | 15.54 | 0.47 | 8,600 | 7.42 |
| 70. Continental Telecom | 632 | 14.64 | 196 | 13.65 | −107 | −184 | 14.92 | 1.36 | 2,319 | 27.26 |
| 71. Lockheed | 622 | 60.51 | 344 | 30.94 | 241 | 80 | 29.74 | 0.37 | 8,113 | 7.66 |
| 72. Warner Communications | 622 | NM | 13 | NM | 548 | −508 | 2.30 | 2.49 | 2,024 | 30.72 |
| 73. Weyerhaeuser | 617 | 20.84 | 226 | 10.42 | −56 | −101 | 6.24 | 0.44 | 5,550 | 11.12 |
| 74. Amerada Hess | 613 | −29.57 | 170 | −16.99 | −628 | −198 | 6.63 | 0.92 | 8,277 | 7.40 |
| 75. Greyhound | 609 | 257.37 | 125 | 77.89 | 434 | 15 | 10.85 | 0.20 | 2,201 | 27.65 |
| 76. Texas Instruments | 594 | 79.98 | 316 | NM | −160 | −172 | 20.51 | 0.28 | 5,742 | 10.35 |
| 77. American Brands | 570 | 41.32 | 414 | 8.10 | 179 | 47 | 18.74 | 0.50 | 4,475 | 12.74 |
| 78. Abbott Laboratories | 562 | 28.03 | 403 | 15.81 | 94 | 9 | 25.12 | 0.46 | 3,104 | 18.09 |
| 79. Time | 555 | 20.21 | 216 | 51.09 | 167 | 58 | 21.03 | 0.39 | 3,067 | 18.09 |
| 80. Hospital Corp. of America | 549 | 15.59 | 297 | 22.01 | −96 | −281 | 15.87 | 1.04 | 3,499 | 15.68 |

| COMPANY | CASH FLOW | | NET INCOME | | DISCRETIONARY CASH FLOW | | RETURN ON EQUITY | DEBT TO EQUITY | REVENUES | CASH FLOW TO REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|
| | $Millions | %change vs. '83 | $Millions | %change vs. '83 | $Millions '84 | $Millions '83 | % | % | $Millions | % |
| 81. NCR | 543 | −26.01 | 343 | 19.11 | 133 | 335 | 16.51 | 0.18 | 4,074 | 13.34 |
| 82. RCA | 526 | −45.18 | 246 | 2.33 | −683 | −1,007 | 8.49 | 0.86 | 10,112 | 5.21 |
| 83. Kerr-McGee | 513 | −15.90 | 65 | −45.11 | −34 | −1 | 3.74 | 0.51 | 3,537 | 14.52 |
| 84. MCI Communications | 513 | 24.40 | 59 | −61.97 | −693 | −525 | 4.94 | 1.57 | 1,959 | 26.20 |
| 85. MCA | 510 | −8.56 | 95 | −35.49 | −284 | −210 | 7.77 | 0.09 | 1,651 | 30.86 |
| 86. Ryder System | 507 | 15.93 | 118 | 16.29 | −525 | −172 | 15.34 | 1.48 | 2,486 | 20.41 |
| 87. Nabisco Brands | 499 | −12.08 | 309 | −4.25 | −89 | 128 | 20.02 | 0.48 | 6,253 | 7.81 |
| 88. Bristol-Myers | 484 | −9.63 | 472 | 13.78 | 75 | 224 | 21.99 | 0.13 | 4,189 | 11.56 |
| 89. PPG Industries | 467 | 24.54 | 303 | 30.15 | CF | CF | 15.02 | 0.33 | 4,242 | 11.02 |
| 90. American Broadcasting | 460 | 231.60 | 195 | 22.21 | 236 | −54 | 14.44 | 0.12 | 3,703 | 12.43 |
| 91. Sperry[5] | 457 | −7.61 | 200 | 69.35 | 10 | −39 | 7.14 | 0.31 | 4,914 | 9.29 |
| 92. General Mills[3] | 456 | 10.80 | 233 | −4.77 | 60 | −10 | 19.06 | 0.55 | 5,601 | 8.13 |
| 93. Kroger | 451 | 18.61 | 157 | 23.26 | 31 | −148 | 13.63 | 0.73 | 15,923 | 2.83 |
| 94. ITT | 450 | −48.92 | 303 | −55.15 | −701 | −526 | 5.21 | 0.61 | 12,701 | 3.54 |
| 95. Armco | 448 | 84.61 | −136 | NM | 250 | 33 | −15.22 | 0.93 | 4,543 | 9.85 |
| 96. Borden | 442 | 3.31 | 191 | 1.24 | 194 | 175 | 13.99 | 0.49 | 4,568 | 9.68 |
| 97. FMC | 440 | −12.99 | 226 | 33.82 | 173 | 236 | 23.42 | 0.35 | 3,338 | 13.19 |
| 98. Motorola | 440 | −25.83 | 387 | 58.61 | −499 | 45 | 16.99 | 0.28 | 5,534 | 7.95 |
| 99. Safeway Stores | 440 | −7.65 | 195 | 0.93 | −423 | −205 | 12.59 | 1.04 | 19,642 | 2.24 |
| 100. Williams | 440 | 94.06 | 146 | 167.59 | 58 | −111 | 11.25 | 1.56 | 3,389 | 12.97 |
| 101. Burroughs | 427 | −50.28 | 245 | 24.38 | −277 | 139 | 10.66 | 0.42 | 4,808 | 8.87 |
| 102. Louisiana Land & Expl. | 404 | 20.78 | 114 | 21.36 | 122 | 23 | 19.33 | 0.75 | 1,259 | 32.09 |
| 103. Grace (W.R.) | 398 | −20.00 | 196 | 22.48 | −200 | −67 | 8.91 | 0.78 | 6,728 | 5.92 |
| 104. Signal | 397 | −65.83 | 301 | 164.04 | 69 | 848 | 10.88 | 0.20 | 5,920 | 6.71 |
| 105. Centel | 396 | 26.30 | 123 | 8.96 | 77 | −19 | 15.56 | 1.01 | 1,375 | 28.84 |
| 106. Eastern Air Lines | 395 | 196.70 | −38 | NM | −100 | −731 | −48.52 | 7.78 | 4,364 | 9.05 |
| 107. Pillsbury[6] | 388 | 75.83 | 170 | 22.25 | 14 | −126 | 16.23 | 0.39 | 4,172 | 9.31 |
| 108. Union Camp | 384 | 60.98 | 181 | 36.70 | −32 | −291 | 14.05 | 0.53 | 1,974 | 19.45 |
| 109. Holiday | 374 | 18.56 | 131 | 5.29 | 26 | −16 | 12.78 | 0.87 | 1,760 | 21.23 |
| 110. CBS | 372 | 4.65 | 245 | 30.82 | 170 | 165 | 15.77 | 0.25 | 4,831 | 7.70 |
| 111. Ralston Purina[2] | 371 | −18.21 | 243 | −5.20 | 113 | 214 | 24.33 | 0.36 | 4,980 | 7.45 |
| 112. Owens-Illinois | 369 | 43.95 | 136 | 96.53 | 10 | −15 | 9.50 | 0.49 | 3,510 | 10.51 |
| 113. Leaseway Transportation | 365 | 10.48 | 42 | 13.56 | −172 | −36 | 13.97 | 1.56 | 1,348 | 27.05 |
| 114. Warner-Lambert | 364 | 2.65 | 224 | 11.67 | 63 | 63 | 15.62 | 0.47 | 3,167 | 11.49 |
| 115. Raytheon | 364 | −27.80 | 340 | 13.31 | −177 | 79 | 17.18 | 0.06 | 5,996 | 6.06 |
| 116. Air Products & Chemicals[4] | 362 | 22.66 | 141 | 29.05 | 16 | −62 | 12.57 | 0.45 | 1,735 | 20.86 |
| 117. Ashland Oil[2] | 361 | 38.31 | −172 | NM | −29 | −199 | −24.30 | 0.62 | 8,253 | 4.37 |
| 118. Mead | 360 | 123.76 | 139 | 364.93 | 120 | 29 | 14.33 | 0.60 | 2,720 | 13.23 |
| 119. CPC International | 355 | 2.66 | 193 | 42.00 | −76 | 6 | 14.60 | 0.43 | 4,373 | 8.11 |
| 120. Gannett | 354 | 50.10 | 224 | 16.84 | 129 | 11 | 19.61 | 0.17 | 1,960 | 18.06 |
| 121. Martin Marietta | 350 | −35.98 | 176 | 24.54 | 73 | 273 | 32.24 | 0.72 | 3,920 | 8.92 |
| 122. Dun & Bradstreet | 348 | 94.49 | 253 | 77.92 | 56 | 19 | 20.62 | 0.01 | 2,397 | 14.41 |
| 123. Heinz (H.J.)[7] | 344 | −21.85 | 238 | 10.87 | 110 | 240 | 21.20 | 0.40 | 3,954 | 8.71 |
| 124. American Cyanamid | 344 | −3.32 | 216 | 29.79 | 46 | 97 | 12.94 | 0.45 | 3,857 | 8.91 |
| 125. Boise Cascade | 340 | 73.83 | 70 | 15.29 | −226 | −42 | 4.51 | 0.80 | 3,817 | 8.92 |
| 126. Grumman | 338 | 19.33 | 108 | −2.10 | 148 | 116 | 18.98 | 0.42 | 2,558 | 13.20 |
| 127. Sharon Steel | 336 | NM | −145 | NM | 205 | −62 | NM | NM | 898 | 37.45 |
| 128. Freeport McMoran | 335 | 6.01 | 94 | 0.73 | 102 | 41 | 13.62 | 1.03 | 842 | 39.76 |
| 129. Kellogg | 332 | −4.49 | 251 | 3.21 | −22 | 65 | 51.42 | 1.45 | 2,602 | 12.74 |
| 130. Gulf & Western Inds.[2] | 331 | −51.47 | 283 | 1.14 | 59 | 422 | 14.29 | 0.53 | 4,182 | 7.91 |
| 131. Murphy Oil | 331 | −13.71 | 118 | −10.82 | −49 | −76 | 11.69 | 0.36 | 2,169 | 15.24 |
| 132. Borg-Warner | 330 | −21.00 | 206 | 12.87 | 14 | 175 | 12.92 | 0.20 | 3,916 | 8.42 |
| 133. Times Mirror | 329 | −15.06 | 233 | 16.60 | −93 | 59 | 18.30 | 0.46 | 2,771 | 11.86 |
| 134. American Stores[3] | 324 | 73.04 | 186 | 57.36 | −29 | 12 | 25.38 | 1.37 | 12,119 | 2.67 |
| 135. Kimberly-Clark | 323 | −14.55 | 218 | 15.20 | −191 | −89 | 13.83 | 0.44 | 3,616 | 8.93 |

| COMPANY | CASH FLOW | | NET INCOME | | DISCRETIONARY CASH FLOW | | RETURN ON EQUITY | DEBT TO EQUITY | REVENUES | CASH FLOW TO REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|
| | $Millions | %change vs. '83 | $Millions | %change vs. '83 | $Millions '84 | $Millions '83 | % | % | $Millions | % |
| 136. Schering-Plough | 323 | 30.90 | 177 | −0.73 | −15 | −23 | 13.44 | 0.61 | 1,874 | 17.22 |
| 137. IC Industries | 315 | 13.73 | 133 | 40.32 | −9 | 12 | 7.86 | 1.05 | 4,234 | 744 |
| 138. NWA | 315 | 38.11 | 87 | 73.48 | −49 | −24 | 9.95 | 0.13 | 2,445 | 12.86 |
| 139. USAIR | 308 | 57.36 | 122 | 50.84 | −51 | −219 | 17.00 | 0.58 | 1,630 | 18.91 |
| 140. Trans World Airlines | 305 | 301.54 | 30 | NM | 53 | −345 | 1.06 | 1.79 | 3,657 | 8.34 |
| 141. Dresser Industries[4] | 305 | 0.23 | 97 | NM | 103 | 96 | 5.13 | 0.30 | 3,732 | 8.16 |
| 142. Northwest Industries | 304 | 40.44 | 82 | NM | 83 | 11 | 14.01 | 0.76 | 1,432 | 21.24 |
| 143. Marriott | 304 | −10.90 | 135 | 17.36 | −310 | −130 | 20.02 | 1.71 | 3,525 | 8.62 |
| 144. Penney (J.C.)[5] | 298 | 2.05 | 435 | −6.85 | −382 | −411 | 11.42 | 0.55 | 13,451 | 2.22 |
| 145. Humana[6] | 297 | 31.22 | 193 | 20.35 | −260 | −379 | 25.44 | 1.80 | 1,961 | 15.13 |
| 146. Gillette | 297 | 5.49 | 159 | 9.20 | 72 | 84 | 20.14 | 0.83 | 2,289 | 12.97 |
| 147. Baker International[2] | 293 | 25.79 | 71 | NM | 124 | 37 | 6.96 | 0.47 | 1,834 | 16.00 |
| 148. Masco | 292 | 108.36 | 116 | 8.75 | 219 | 54 | 15.14 | 0.53 | 1,020 | 28.67 |
| 149. Waste Management | 289 | 59.32 | 143 | 18.32 | −58 | −70 | 16.09 | 0.61 | 1,315 | 22.01 |
| 150. Westvaco[4] | 289 | 61.50 | 130 | 107.00 | −68 | −50 | 13.88 | 0.47 | 1,766 | 16.38 |
| 151. Penn Central | 286 | −37.97 | 179 | 762.94 | 100 | 280 | 8.65 | 0.20 | 2,569 | 11.20 |
| 152. Coastal | 285 | −24.64 | 102 | 8.56 | 64 | 145 | 16.89 | 2.04 | 6,260 | 4.55 |
| 153. Federated Dept. Stores[5] | 284 | −33.40 | 326 | −2.66 | −297 | 2 | 12.95 | 0.40 | 9,672 | 2.94 |
| 154. Dana | 281 | 88.48 | 191 | 75.39 | 119 | 11 | 15.64 | 0.32 | 3,575 | 7.85 |
| 155. Farmers Group | 277 | 24.34 | 186 | 34.99 | 179 | 120 | 17.69 | 0.00 | 894 | 30.94 |
| 156. Woolworth (F.W.)[5] | 273 | 50.00 | 141 | 19.49 | 13 | −11 | 13.35 | 0.40 | 5,737 | 4.76 |
| 157. Southern New Eng. Tel. | 272 | −21.34 | 125 | 3.32 | −47 | 89 | 13.28 | 0.60 | 1,332 | 20.40 |
| 158. Cooper Industries Inc | 268 | 16.01 | 107 | 50.16 | 109 | 52 | 7.37 | 0.14 | 2,028 | 13.23 |
| 159. Dayton-Hudson[6] | 268 | −17.47 | 259 | 6.64 | −166 | −80 | 14.94 | 0.44 | 8,009 | 3.34 |
| 160. Baxter Travenol Labs. | 268 | −10.16 | 29 | −86.68 | 29 | 21 | 2.62 | 0.50 | 1,800 | 14.86 |
| 161. Great Northern Nekoosa | 267 | 43.37 | 120 | 42.74 | −16 | −244 | 12.24 | 0.51 | 1,873 | 14.26 |
| 162. Tribune Co. | 264 | NA | 103 | 48.76 | 83 | NA | 12.45 | 0.30 | 1,794 | 14.69 |
| 163. Int'l. Minerals & Chemical[1] | 260 | −13.77 | 112 | 39.13 | 51 | 89 | 10.84 | 0.41 | 1,533 | 16.99 |
| 164. Cabot[2] | 255 | 67.95 | 97 | 51.29 | 94 | 30 | 13.48 | 0.51 | 1,752 | 14.55 |
| 165. Gould | 255 | 2.45 | 89 | 12.75 | 58 | 26 | 10.45 | 0.34 | 1,399 | 18.21 |
| 166. Ocean Drilling & Expl. | 252 | −2.19 | 119 | −0.58 | 19 | −53 | 14.06 | 0.26 | 699 | 36.08 |
| 167. Upjohn | 251 | 123.09 | 173 | 8.14 | 33 | −153 | 15.28 | 0.51 | 2,188 | 11.47 |
| 168. Cummins Engine | 249 | 36.14 | 188 | NM | 114 | 81 | 28.95 | 0.41 | 2,326 | 10.71 |
| 169. Scott Paper | 248 | −10.11 | 187 | 51.21 | −158 | −120 | 11.78 | 0.62 | 2,847 | 8.72 |
| 170. USG | 247 | 54.45 | 167 | 132.26 | 71 | 57 | 21.62 | 0.35 | 2,319 | 10.67 |
| 171. AMP | 244 | 31.54 | 201 | 23.39 | −96 | −4 | 21.80 | 0.22 | 1,813 | 13.44 |
| 172. Tandy[1] | 243 | 73.10 | 282 | 1.20 | 184 | 61 | 28.51 | 0.40 | 2,737 | 8.89 |
| 173. American Hospital Supply | 243 | 4.42 | 238 | 12.22 | −3 | 27 | 15.88 | 0.27 | 3,443 | 7.05 |
| 174. Celanese | 241 | −42.76 | 161 | 43.75 | −46 | 202 | 15.54 | 0.68 | 3,328 | 7.24 |
| 175. Teledyne | 241 | −15.50 | 574 | 88.54 | 154 | 180 | 49.54 | 0.93 | 3,494 | 6.89 |
| 176. TRW | 240 | −61.66 | 287 | 30.07 | −333 | 187 | 15.03 | 0.24 | 6,062 | 3.97 |
| 177. Eaton | 238 | −7.42 | 254 | 172.64 | 63 | 131 | 21.08 | 0.40 | 3,510 | 6.78 |
| 178. Federal Express[6] | 238 | 16.38 | 115 | 29.79 | −423 | −31 | 15.98 | 0.63 | 1,436 | 16.54 |
| 179. Avon Products | 237 | −15.67 | 182 | 10.52 | −72 | 1 | 15.65 | 0.46 | 3,141 | 7.55 |
| 180. Sara Lee[1] | 237 | −49.98 | 188 | 10.04 | −87 | 171 | 19.23 | 0.48 | 7,000 | 3.39 |
| 181. Firestone Tire & Rubber[4] | 237 | 47.20 | 63 | −37.00 | −132 | −113 | 5.10 | 0.28 | 4,001 | 5.92 |
| 182. Intel | 237 | 0.79 | 198 | 70.69 | −152 | 90 | 14.57 | 0.16 | 1,629 | 14.53 |
| 183. Fort Howard Paper | 234 | 862.16 | 133 | 24.39 | 9 | −122 | 15.61 | 0.19 | 1,339 | 17.51 |
| 184. Walter (Jim)[6] | 233 | NM | 97 | 37.44 | 59 | −169 | 11.85 | 1.34 | 2,258 | 10.32 |
| 185. Melville | 233 | −3.38 | 190 | 8.01 | 27 | 78 | 19.93 | 0.13 | 4,423 | 5.26 |
| 186. Rohm & Haas | 232 | −27.36 | 172 | 25.16 | 37 | 198 | 17.84 | 0.32 | 2,042 | 11.38 |
| 187. Quaker Oats[1] | 231 | 7.71 | 139 | 16.26 | 50 | 31 | 18.72 | 0.55 | 3,344 | 6.89 |
| 188. Bethlehem Steel | 227 | 77.52 | −132 | NM | −142 | −183 | −16.55 | 1.10 | 5,392 | 4.22 |
| 189. May Dept. Stores[5] | 227 | −16.64 | 214 | 14.49 | −86 | 4 | 16.59 | 0.44 | 4,762 | 4.76 |
| 190. Deere[4] | 224 | −36.09 | 105 | 350.69 | 19 | 174 | 4.58 | 0.76 | 4,399 | 5.09 |

| COMPANY | CASH FLOW | | NET INCOME | | DISCRETIONARY CASH FLOW | | RETURN ON EQUITY | DEBT TO EQUITY | REVENUES | CASH FLOW TO REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|
| | $Millions | %change vs. 83 | $Millions | %change vs. 83 | $Millions 84 | $Millions 83 | % | % | $Millions | % |
| 191. Northrop | 222 | −21.49 | 167 | 65.74 | −167 | −40 | 23.03 | 0.07 | 3,688 | 6.02 |
| 192. Donnelley (R.R.) | 218 | −8.25 | 134 | 17.00 | CF | CF | 16.77 | 0.05 | 1,814 | 12.01 |
| 193. Owens-Corning Fiberglas | 218 | −2.62 | 114 | 42.82 | 38 | 68 | 13.53 | 0.30 | 3,021 | 7.21 |
| 194. American Medical Int'l.[9] | 218 | 7.42 | 137 | 35.03 | −184 | −89 | 18.22 | 1.49 | 1,964 | 11.08 |
| 195. Olin | 216 | −26.32 | 89 | 23.75 | 3 | 127 | 10.23 | 0.48 | 2,065 | 10.46 |
| 196. Knight-Ridder Newspapers | 215 | 7.94 | 141 | 17.90 | 62 | 69 | 15.28 | 0.09 | 1,665 | 12.94 |
| 197. Becton, Dickinson[2] | 213 | 16.78 | 63 | 76.46 | 99 | 63 | 10.60 | 0.41 | 1,127 | 18.93 |
| 198. Colgate-Palmolive | 210 | −16.01 | 54 | −72.97 | −164 | −54 | 4.35 | 0.34 | 4,910 | 4.29 |
| 199. Emerson Electric[2] | 209 | −52.61 | 349 | 15.28 | −126 | 140 | 18.68 | 0.18 | 4,179 | 5.01 |
| 200. Corning Glass Works | 209 | 6.54 | 89 | −3.58 | CF | CF | 8.33 | 0.32 | 1,733 | 12.03 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| AMP | 171 | Coastal | 152 | Goodyear Tire & Rubber | 42 | Merck | 49 | Sharon Steel | 127 |
| AMR | 55 | Coca-Cola | 32 | Gould | 165 | Minnesota Mining & Mfg. | 38 | Shell Oil | 8 |
| Abbott Laboratories | 78 | Colgate-Palmolive | 198 | Grace (W.R.) | 103 | Mobil | 6 | Signal | 104 |
| Air Products & Chemicals | 116 | Continental Telecom | 70 | Great Northern Nekoosa | 161 | Monsanto | 36 | SmithKline Beckman | 58 |
| Allied | 37 | Cooper Industries | 158 | Greyhound | 75 | Motorola | 98 | Southern New Eng. Tel | 157 |
| Aluminum Co. of America | 64 | Corning Glass Works | 200 | Grumman | 126 | Murphy Oil | 131 | Southland | 62 |
| Amerada Hess | 74 | Cummins Engine | 168 | Gulf & Western | 130 | NCR | 81 | Sperry | 91 |
| American Brands | 77 | Dana | 154 | Halliburton | 50 | NWA | 138 | Standard Oil | 13 |
| American Broadcasting | 90 | Dart & Kraft | 56 | Heinz (H.J.) | 123 | Nabisco Brands | 87 | Sun Co. | 19 |
| American Cyanamid | 124 | Dayton-Hudson | 159 | Hewlett-Packard | 61 | Norfolk Southern | 41 | TRW | 176 |
| American Home Products | 43 | Deere | 190 | Holiday | 109 | Northrop | 191 | Tandy | 172 |
| American Hospital Supply | 173 | Delta Air Lines | 60 | Honeywell | 68 | Northwest Industries | 142 | Teledyne | 175 |
| American Medical Intl. | 194 | Diamond Shamrock | 35 | Hospital Corp. of America | 80 | Occidental Petroleum | 24 | Texaco | 9 |
| American Stores | 134 | Donnelley (R.R.) | 192 | Humana | 145 | Ocean Drilling & Expl. | 166 | Texas Instruments | 76 |
| Amoco | 7 | Dow Chemical | 21 | IC Industries | 137 | Olin | 195 | Time | 79 |
| Anheuser-Busch | 54 | Dresser Industries | 141 | ITT | 94 | Owens-Corning Fiberglas | 193 | Times Mirror | 133 |
| ARMCO | 95 | Du Pont (E.I.) | 10 | Intel | 182 | Owens-Illinois | 112 | Trans World Airlines | 140 |
| Ashland Oil | 117 | Dun & Bradstreet | 122 | Int'l. Business Machines | 2 | PPG Industries | 89 | Tribune | 162 |
| Atlantic Richfield | 5 | Eastern Air Lines | 106 | Int'l. Minerals & Chemical | 163 | Penn Central | 151 | UAL | 53 |
| Avon Products | 179 | Eastman Kodak | 22 | Int'l. Paper | 59 | Penney (J.C.) | 144 | USG | 170 |
| Baker Int'l. | 147 | Eaton | 177 | Johnson & Johnson | 40 | Pennzoil | 65 | Union Camp | 108 |
| Baxter Travenol Labs. | 160 | Emerson Electric | 199 | Kellogg | 129 | Pepsico | 46 | Union Carbide | 39 |
| Becton, Dickinson | 197 | Exxon | 1 | Kerr-McGee | 83 | Pfizer | 66 | Union Pacific | 31 |
| Bethlehem Steel | 188 | FMC | 97 | Kimberly-Clark | 135 | Philip Morris | 25 | United Parcel Service | 51 |
| Boeing | 28 | Farmers Group | 155 | Knight-Ridder Newspapers | 196 | Phillips Petroleum | 15 | USAIR | 139 |
| Boise Cascade | 125 | Federal Express | 178 | Kroger | 93 | Pillsbury | 107 | U S Steel | 27 |
| Borden | 96 | Federated Dept Stores | 153 | Leaseway Transportation | 113 | Procter & Gamble | 30 | United Technologies | 63 |
| Borg-Warner | 132 | Firestone Tire & Rubber | 181 | Lilly (Eli) | 47 | Quaker Oats | 187 | United Telecom | 48 |
| Bristol-Myers | 88 | Ford Motor | 4 | Litton Industries | 34 | RCA | 82 | Unocal | 16 |
| Burlington Northern | 18 | Fort Howard Paper | 183 | Lockheed | 71 | Ralston Purina | 111 | Upjohn | 167 |
| Burroughs | 101 | Freeport McMoran | 128 | Louisiana Land & Expl. | 102 | Raytheon | 115 | Walter (Jim) | 184 |
| CBS | 110 | GTE | 12 | MCA | 85 | Reynolds (R.J.) | 20 | Warner Communications | 72 |
| CPC International | 119 | Gannett | 120 | MCI Communications | 84 | Rockwell International | 33 | Warner-Lambert | 114 |
| CSX | 29 | General Dynamics | 44 | Marriott | 143 | Rohm & Haas | 186 | Waste Management | 149 |
| Cabot | 164 | General Electric | 17 | Martin Marietta | 121 | Ryder System | 86 | Westinghouse Electric | 57 |
| Caterpillar Tractor | 45 | General Foods | 69 | Masco | 148 | Safeway Stores | 99 | Westvaco | 150 |
| Celanese | 174 | General Mills | 92 | May Dept. Stores | 189 | Santa Fe Pacific | 23 | Weyerhaeuser | 73 |
| Centel | 105 | General Motors | 3 | McDonald's | 52 | Sara Lee | 180 | Williams | 100 |
| Chevron | 11 | Georgia-Pacific | 67 | Mead | 118 | Schering-Plough | 136 | Woolworth (F.W.) | 156 |
| Chrysler | 14 | Gillette | 146 | Melville | 185 | Scott Paper | 169 | Xerox | 26 |

**Definitions:**
Cash flow from operations was derived from the following formula: net income (not including extraordinary items) adjusted to remove expenses not requiring cash (depreciation and deferred taxes) and income not generating cash (unremitted earnings from unconsolidated subsidiaries) and also adjusted for changes from the prior year in current receivables, other current assets other than cash and cash equivalents, current accounts payable, income taxes payable and other current liabilities other than notes payable and debt due within one year.

Percentage change in cash flow from operations is current cash flow divided by the prior year cash flow.

Discretionary cash flow from operations is cash flow from operations minus capital expenditures, total dividends and debt due in one year as reported in prior year's statement.

Return on common equity is net income available for common shareholders divided by common equity—that is, common stock plus capital surplus and retained earnings.

Debt as a percentage of equity is the ratio of total debt to total equity. It is calculated by taking long-term debt plus the portion of long term debt due in one year plus notes payable and dividing the total by total shareholder equity (preferred stock plus common stock, capital surplus and retained earnings).

**Abbreviations:**
*cf:* combined figure (calculation cannot be done because the company did not report individual items). *nm:* not meaningful (equation contains one or more negative numbers). *nr:* not reported (item required to do calculation was not reported).

**Footnotes:**
1. Fiscal year ended June 30, 1984. 2. Fiscal year ended September 30, 1984. 3. Fiscal year ended July 31, 1984. 4. Fiscal year ended October 31, 1984. 5. Fiscal year ended March 31, 1984. 6. Fiscal year ended May 31, 1984. 7. Fiscal year ended April 30, 1984. 8. Fiscal year ended January 31, 1985. 9. Fiscal year ended August 31, 1984.

**Source:**
The study is drawn from the Standard & Poor's Compustat data base of 6,400 companies from which were eliminated financial companies (savings and loans, banks, insurance companies, securities firms and finance companies); companies with more than 50% of profits from finance subsidiaries of domestic companies and regulated gas and electric utilities.

# SOMEONE YOU KNOW

## HAS A RARE DISORDER

- That may be fatal or disabling
- That many doctors don't recognize
- That may have no cure or treatment
- That is one of 5000 disorders with a total of 20 million victims

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N..w York, N.Y. 10001
212-686-1057


## INVESTMENT UPDATE

**Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.**

| INVESTMENT | (5/31/85) Recent Price or Yield | Value of $10,000 if invested: Month Earlier | Year Earlier |
|---|---|---|---|
| **Common Stock** (Index fund, capital gains and dividends reinvested) | $22.32/share | $10,603 | $13,150 |
| **per cent change** | | +6.0% | +31.5% |
| **Bonds** (30-yr., 11¾% Treasury Bond) | | | |
| MARKET VALUE | | $10,117 | $12,636 |
| ACCUMULATED INCOME | $109.06 | $ 97 | $ 1,361 |
| TOTAL | | $10,214 | $13,997 |
| **per cent change** | | +2.1% | +39.9% |
| **Money Market Fund** | +7.71% | $10,065 | $10,949 |
| **per cent change** | | +.65% | +9.5% |
| **Gold** (Krugerrands) | $334.50/oz. | $10,045 | $ 8,178 |
| **per cent change** | | +.45% | -18.2% |
| **HOUSE PRICES** | Recent | Month Earlier | Year Earlier |
| **Existing House** | $83,900 | $85,200 | $84,400 |
| **per cent change** | | -1.5% | -.6% |
| **New House** | $106,400 | $101,400 | $93,900 |
| **per cent change** | | +6.5% | +13.8% |

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Desk-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

ponents. Nowadays, he says, Eaton is getting 50% of its business from electronics and electrical equipment, "a high growth business," and is looking more and more like a TRW or Rockwell International, both of which enjoy much higher P/E ratios than Eaton's 7. With $500 million in cash, Eaton plans to enlarge its electronics control systems manufacturing operation with a sizeable acquisition as well as repurchase 10% of its stock over the next five years, says Lederer, thereby increasing the potential for capital gains.

Despite a costly strike at its United Airlines subsidiary, UAL Inc. is another Winrich favorite. The firm is particularly fond of its $2.40 convertible preferred B stock, which is yielding 7%. But Lederer says the common stock also figures to advance in price as the company's hidden assets are realized. UAL, in fact, has just announced plans to sell its 52 Westin International hotels for nearly $2 billion and to recapture for expansion purposes nearly $1 billion in excess pension fund assets. In addition, Lederer believes the strike will eventually benefit United Airlines by lowering its high labor costs and improving its profit margins.

Winrich's final choice is Maytag Co., which carries an average P/E ratio among appliance makers of 11 but an above-average yield of 6%, including a special dividend it declares every year. With minimal long-term debt and excess cash flow, says Lederer, Maytag is expected to repurchase more of its own stock, as it did last year and in earlier years, and enhance the odds of increasing its share price.

The Winrich formula has paid off in several big winners recently. While it normally expects to wait from 18-to-24 months to reach a target selling price on a stock, the swelling interest in income producing stocks has accelerated the pace dramatically. Winrich recently sold Syntex, the drug company, Comcast Corp., a cable TV operator, and Levi Strauss for gains ranging from 37%-to-50% after holding them for less than a year. —T.J.M.


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